

VZCZCXRO9161
PP RUEHGR
DE RUEHSP #0152/01 0461434
ZNR UUUUU ZZH
P 151434Z FEB 07
FM AMEMBASSY PORT OF SPAIN
TO RUEHC/SECSTATE WASHDC PRIORITY 7885
INFO RHMCSUU/DEPT OF ENERGY WASHINGTON DC
RUEATRS/DEPT OF TREASURY WASHDC
RUCPDOG/DEPT OF COMMERCE WASHDC
RUMIAAA/HQ USSOUTHCOM J2 MIAMI FL
RUCNCOM/EC CARICOM COLLECTIVE
RUEHCV/AMEMBASSY CARACAS 3639

UNCLAS SECTION 01 OF 03 PORT OF SPAIN 000152

SIPDIS

SENSITIVE
SIPDIS

DEPT FOR WHA PDAS DUDDY, WHA/CAR, WHA/EPSC, EEB/ESC/IEC/EPC
SOUTHCOM ALSO FOR POLAD

E.O. 12958: N/A

TAGS: [EPET](#) [ENRG](#) [EINV](#) [EFIN](#) [TD](#)

SUBJECT: PETROLEUM CONFERENCE HIGHLIGHTS ISSUES CONFRONTING T&T OIL
AND GAS SECTOR

REF: Port of Spain 21

SENSITIVE BUT UNCLASSIFIED - PROTECT ACCORDINGLY

¶1. (U) SUMMARY: Oil and gas companies operating in Trinidad & Tobago outlined aggressive programs to develop proven reserves in their presentations at the T&T Petroleum Conference, but several speakers raised concern that exploration may not be keeping pace with gas utilization. Energy Minister Saith announced that results of the first audit of T&T's reserves in two years will be released within the next few months and that a feasibility study is being launched for a new LNG train. Saith also foreshadowed a GOTT move into shipping and regasification of its LNG exports, and he announced plans for a conference in late March/early April to discuss the future of T&T's energy sector. Several speakers raised PetroCaribe as a diplomatic success for Venezuela and a challenge for T&T. Presentations on Nova Scotia and Chile, as well as the Extractive Industries Transparency Initiative, provided a counterpoint to resource nationalism elsewhere in the region. END SUMMARY.

¶2. (U) The annual Trinidad and Tobago Petroleum Conference (TTPC), February 5-6, brought together several hundred local and visiting oil and gas industry executives with GOTT officials, a trade delegation from Nova Scotia, and Suriname Energy Minister Rusland. While the conference theme, "Energy and People," set the stage for companies to showcase their workforce development/local content and corporate social responsibility efforts, the program also covered the macro issues confronting energy policy makers in T&T and, to a lesser extent, the Caribbean region.

T&T Energy Sector - Questions on Gas Reserves

¶3. (U) Rampersad Motilal of the South Trinidad Chamber of Industry and Commerce (STCIC) questioned whether T&T gas reserves are keeping pace with gas utilization, which increased from 3 billion to 4 billion cubic feet per day over the previous year. Voicing concern over the future of T&T's gas-based economy, Motilal noted that the GOTT had not released an update of audited reserves since January 2005 and that the 2006 bid round for exploration and development rights drew minimal interest.

¶4. (U) Responding to these concerns, T&T Energy Minister Lenny Saith announced that the results of a new audit of T&T's gas reserves would be announced by the third quarter of FY-2007 (i.e. April-June). U.S. accounting firm Ryder Scott is performing the audit, which will assess reserves as of end-2006. On the 2006 bid

round for new exploration blocks, Saith said the GOTT would seek industry views on whether newly revised model production sharing contract (PSC) had discouraged companies from bidding, and he affirmed that the GOTT would adjust PSC terms as needed.

¶15. (SBU) NOTE: Industry contacts previously told Econ Chief that the GOTT mishandled the 2006 bid round by dividing the commercially risky deep water region into too many blocks and tilting PSC terms too much in its own favor. END NOTE.

¶16. (U) Saith reported that oil and gas companies' current exploration and development plans call for investing US\$400 million in T&T's upstream sector over the next two years, comprising eleven new wells in 2007 and six in 2008. Moreover, the GOTT's National Gas Company (NGC) had concluded negotiations with most of the companies producing in T&T for a total supply of 560 million cubic feet per day of natural gas over a 12-15 year period, tied to production sharing contracts.

LNG Markets - GOTT Studying Train X, Going Downstream

¶17. (U) Energy Minister Saith announced that the GOTT would soon launch a feasibility study for a fifth LNG train, known as "Train X," to be concluded by end-2007. He also said the GOTT intends to diversify and invest in the liquefied natural gas (LNG) sector by attracting new entrants to gas liquefaction and increasing GOTT participation in the shipping, gasification, and marketing of T&T's LNG exports. Professor Ken Julien, chair of the National Energy Corporation and president of the University of Trinidad & Tobago (UTT), elaborated that by investing in U.S. regasification terminals, the GOTT could address concerns that existing commercial

PORT OF SP 00000152 002 OF 003

arrangements do not provide T&T with "direct access" to the U.S. market.

¶18. (SBU) One industry contact commented during a sidebar conversation with Econ Chief that the downstream end of the LNG value chain is notoriously complex, and a move into regasification would stretch the GOTT's capacity.

¶19. (U) Sheldon Daniel of bpTT reported that Atlantic LNG's Train 4 is on its way to producing at full capacity, as the company has largely worked through "teething problems" that have affected Train 4's first year of operation. Daniel also said a framework agreement between T&T and Venezuela for development of cross-border gas deposits was "nearly ready" for signature, and he hoped that a bilateral working group examining gas volumes and allocations of the Kapok/Dorado cross-border field, in which bpTT has an interest, would finalize its recommendations in 2007.

PetroCaribe seen as success for Venezuela

¶10. (U) Professor Anthony Bryan of the Center for Strategic and International Studies described Venezuela's PetroCaribe initiative as posing serious diplomatic challenges for the GOTT and the CARICOM region. Two years after the initiative's launch, Bryan said, import-dependent CARICOM countries see Venezuela as a "trusted regional partner" and PetroCaribe as a real attempt to find a regional solution to the energy supply problems that they face.

¶11. (U) Ruth Potopsingh, Managing Director of the Petroleum Corporation of Jamaica (PetroJam), described Jamaica's dependence on imported oil and praised Venezuela and PetroCaribe for having allowed Jamaica to set aside funding for social programs. She also stated that Venezuela was considering support for a proposed upgrade for PetroJam facilities, including configuring a PetroJam refinery to handle Venezuelan crude, by end-2009.

¶12. (U) While GOTT Ministers' remarks did not address PetroCaribe, Wayne Bertrand of the T&T state oil company Petrotrin cited PetroCaribe as contributing to a slight decline in output from the

Petrotrin refinery, which produces for the domestic and Caribbean market, as a result of market share lost to Venezuela.

Energy and Development

¶13. (U) Energy Minister Saith outlined the GOTT strategy to leverage energy resources to achieve developed country status by the year 2020. Near-term plans include seven downstream projects based on natural gas, entailing over US\$8 billion in foreign direct investment in petrochemicals, steel, and aluminum production. Collectively these projects would create 25,000 jobs during the construction phase and 4,400 "permanent" jobs, while laying the groundwork for an expanded manufacturing industry. Saith also announced that the Energy Ministry and the Natural Gas Export Task Force will hold a conference in late March or early April to look at the future development of T&T's energy sector.

¶14. (U) STCIC president Rampersad Motilal commended GOTT priorities for use of oil and gas revenues, including increased spending on education and allocations to a Heritage and Stabilization Fund. Motilal also voiced support for the general GOTT policy thrust of developing downstream industry, while noting that GOTT plans for aluminum smelters have generated controversy (see reftel).

¶15. (U) Professor Ken Julien welcomed the local debate on aluminum smelters as a "blessing in disguise" that was forcing a critical analysis of how T&T should use its gas reserves. He called for dialogue that was "free of emotion and hidden agendas" and encouraged the GOTT Environmental Management Agency to play a more assertive role in framing discussion of environmental concerns related to the proposed smelters.

¶16. (U) Nova Scotia Energy Minister Bill Dooks described his province's approach to developing renewable energy sources, encouraging use of local content, and developing post-secondary educational resources that respond to energy industry needs. Dooks described these policies as an effort to keep jobs and investment dollars from leaving Nova Scotia.

PORT OF SP 00000152 003 OF 003

¶17. (U) Former Chilean Central Bank President Roberto Zahler highlighted the importance of opening markets and enabling private sector-led development of energy resources in his presentation on Chile's energy sector development model. Dr. Carlos Monge of the International Advisory Group for the Extractive Industries Transparency Initiative (EITI) delivered a presentation on the status of the EITI in Latin America.

¶18. (SBU) COMMENT: Resource nationalism and developments in Venezuela's energy sector, while not explicit themes of this year's TTPC, were clearly on the minds of the conference organizers and most private sector participants with whom Econ Chief spoke during the event. Presentations on Chile, Nova Scotia, and EITI added up to a ringing endorsement of private sector led energy development and energy revenue transparency. The fact that Energy Minister Saith did not mention Venezuela reflects both Saith's cautious style and the GOTT's delicate position. Many CARICOM neighbors welcome PetroCaribe and blame T&T for not doing more to help in a time of high oil prices, while Venezuela has veto power over development of cross-border gas deposits that are essential for T&T to increase LNG production. A new LNG train would in turn enhance T&T's ability to supply LNG to Jamaica and other CARICOM partners, a possibility that may explain the GOTT's interest in gaining experience and know-how in downstream LNG.

¶19. (SBU) COMMENT CONTINUED: Oil and gas companies made clear in their presentations that they will remain busy developing T&T's proven reserves - and reaping returns from past exploration - over the next several years. Nevertheless, with few new discoveries and limited interest in the exploration blocks not yet assigned, concern over the sustainability of the GOTT's aggressive gas-based industrialization plans is on the rise, surfacing most conspicuously in the debate over Alcoa's proposed aluminum smelter. In this

election year for T&T, Post anticipates intense scrutiny of the forthcoming audit of T&T reserves. END COMMENT.

AUSTIN